

A Composite Scorecard for the Philippines: A tool for developing a national agenda and assessing economic and social progress

By

Benjamin D. Kritz, M.Sc. MBA

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Abstract

This report is extracted from a larger, global study which combines survey and statistical data from a number of country assessment rankings, with the objective to develop a single assessment metric. The study finds that the Philippines remains below-average in overall performance on a global scale, and is significantly behind most of its competitors and trading partners in the Asia-Pacific region.

Recommendations for how this study can be used by policy-makers and business stakeholders as well as suggestions for further research are offered as a conclusion.

Introduction

Each year, dozens of international organizations – governments, NGOs, business groups, and social advocacy organizations – produce a variety of global assessment reports that rate the world’s countries on their social, political, or economic circumstances. These reports are useful in a number of ways. Those that concentrate on statistical information are valuable as data sets for researchers and analysts, while those reports that are largely based on extensive stakeholder surveys provide a detailed insight into the social currents and prevailing thought guiding particular sectors. In either form the reports can be an excellent tool for policymakers, but for one simple problem: To which of the dozens of reports should the policymakers devote their attention?

When one studies many of these “global” reports, some troubling inconsistencies and shortcomings immediately become apparent. Perhaps the most obvious issue is the duplication of effort; many reports either repeat the analytical work of others, or in some cases, simply cite an earlier report as the source of data.¹ There is nothing inherently wrong with this; provided the original data is valid, the same result should be derived no matter how many times it is repeated. Unfortunately, that seems to be the exception rather than the rule: similar reports describing similar or identical metrics will often draw significantly different conclusions from them, yet the methodology used is apparently sound.

A likely cause of some of the discrepancies is the difficulty of knowing exactly what data should be included. Bebek Debroy, a columnist for Mumbai’s *The Financial Express*, noted this dilemma back in 2004 and pointed out that the choice of variables is often guided by the context of the study. Concepts in economic freedom, for example, are often matters of opinion rather than hard data.²

Some of the problems, however, are a matter of pure bias – almost certainly unintentional, but bias nevertheless. The political or philosophical orientation of the organization which prepares the study is inevitably suffused through the data, and this is immediately apparent in pure survey studies. For example, consider this scoring metric for “Financial Freedom” from The Heritage Foundation’s *Index of Economic Freedom*³:

100—Negligible government influence. Independent central bank supervision and regulation of financial institutions are limited to enforcing contractual obligations and preventing fraud. Credit is allocated on market terms. The government does not own financial institutions. Financial institutions may engage in all types of financial services. Banks are free to issue competitive notes, extend credit and accept deposits, and conduct operations in foreign currencies. Foreign financial institutions operate freely and are treated the same as domestic institutions.

Thus in the Heritage Foundation’s view, a top score in “Financial Freedom” is achieved by a country that wholeheartedly adopts the private interest view of banking regulation. Given that the Heritage Foundation is a well-established and respected conservative group in the U.S., this is not exactly a

¹ The World Economic Forum’s Global Competitiveness Report and Global Information Technology Report, for example, both draw heavily on statistics published in the World Bank’s *Doing Business 2009* report.

² Bebek Debroy, “Clichéd Message From Country Rankings” *The Financial Express*, 21 September 2004.

³ *IEF 2009*: 447-448.

revelation, but whether it constitutes a purely objective assessment is debatable. Yet within the framework of a study that combines both subjective and quantitative measures to arrive at one nice round numerical value with which to compare a nation to others, the distinction between hard facts and informed opinions is lost.

The confusion the inconsistencies cause is likely the reason why these reports are so ill-received by the subject countries, particularly here in the Philippines, which routinely ranks among the lower echelon of nations in almost every new list that is published. News media tend to handle each new ranking superficially, concentrating on the overall assessment and its relationship to neighboring countries and last year's score with much the same aplomb as they report the final scores of yesterday's basketball games. Government officials, understandably wanting to put a positive spin on what is ordinarily a sizable batch of bad news, are subtly dismissive: Eduardo Ermita, in making a recent statement about the Global Competitiveness Report, responded to the country's dismal ranking by pointing out the progress the Administration is making in fighting corruption.⁴ (*Author's note:* It is not likely the irony of Mr. Ermita's statement in light of the poor assessment the Philippines earns in the area of Political Governance & Stability will be lost on even a casual reader of the remainder of this report.) By contrast Senator (and Presidential candidate) Manny Villar, writing in the *Business Mirror*, at least addresses the results directly, but asserts that things are not as bad as the various reports make them out to be. He goes on to say, however, that the reports are still helpful because, "Actually, I believe that one way of looking at the state of our nation is to find out how foreigners look at us."⁵ It is hard to imagine that Senator Villar, one of the nation's most successful business executives, is actually unaware that the survey respondents in almost every global assessment report are drawn from the nation's own business community.

Whether obtuse or intentionally evasive, Senator Villar's comments do illustrate that the reports, for all the effort and good intent that goes into them, are not making much of an impression. Selective data and metrics, inconsistent results, and philosophical biases can lessen the impact of any one report no matter what kernels of truth it may contain. All the reports are, in their own way, compiled with sound methodology and proper academic standards, but each has its own perspective on the country. Thus the objective of this study – which is only a fraction of a much larger regional project – is to gather the diverse points of view into a single Composite Scorecard of broad metrics arranged in three fundamental "Pillars" of national strength: The Sovereign Framework, Human Capital, and Business & Development. In this way contradictions and biases evident in different reports are resolved and cancelled, variances in similar quantitative data can be cross-referenced and verified, and redundancies eliminated. The effort is, in a sense, an intensive audit of existing data, with the result being a clear, neutral assessment of the state of the nation in relation to its neighbors and trading partners and the rest of the world. As the Philippines rapidly approaches a presidential election, this assessment can serve as a valuable guide to present and future policymakers both inside the government and in the economic sector.

⁴ "Government doing its best to address corruption, human rights". Statement by Executive Secretary Eduardo Ermita, 9 September 2009.

⁵ Manny Villar, "The road to global competitiveness". *Business Mirror* [online edition], 4 October 2009.

This report focuses on the Philippines, but offers a broad comparison with seven of the nine other member nations of the ASEAN group – Brunei, Cambodia, Indonesia, Malaysia, Singapore, Thailand, and Vietnam – as well as Australia, China, India, Japan, South Korea, and Taiwan. These nations represent the Philippines’ trading partners and economic competitors. Burma and Laos, although members of ASEAN, are not included due to a lack of data; these countries were omitted from a number of the studied reports, and thus could not be represented accurately.

Methodology

Over 400 individual indicators – statistical data as well as stakeholder survey responses – were gathered for this study from the following global reports:

- ***The Global Information Technology Report 2008-2009*** (World Economic Forum)
- ***The Global Gender Gap Report 2009*** (World Economic Forum)
- ***2009 Index of Economic Freedom*** (The Heritage Foundation)
- ***“Economic and Social Rights Fulfillment Index: Country Scores and Rankings”*** (University of Connecticut Department of Economics, unpublished)
- ***The Global Competitiveness Report 2009-2010*** (World Economic Forum)
- ***Global Corruption Report 2009*** (Transparency International)
- ***Human Development Report 2009*** (UN Development Programme)
- ***EFA Global Monitoring Report 2009*** (UNESCO/EFA Global Monitoring Team)
- ***Doing Business 2009*** (The World Bank)

Once the initial collection of indicators was compiled, it was reviewed for duplicates, redundant factors, factors based on outdated responses or statistics, or measurements that were not clearly defined or were based on open-ended survey responses. Duplicated indicators, i.e. those appearing in more than one study, were set aside for further analysis in order to generate single metrics from them, while those with the other flaws described were discarded.

Indicators based on hard data were automatically included in the final list, provided the data used was either recent (no older than 2007⁶), or was combined with recent data. If there was an age discrepancy in duplicated hard data indicators, the most recent data was used and the other factors discarded. For subjective indicators, those that represented survey responses based on respondents’ opinions,

⁶ 2007 was the year in which the most recent national elections were held in the Philippines.

measures based on quantitative metrics were developed where possible; some of these are described in the following sections. Other subjective indicators could not be expressed in quantitative terms; this presented an analytical challenge for those that were duplicated in more than one report. If the duplicated indicators appeared to lack any sort of bias – in other words, were responses to identical or very similarly-worded questions in different reports – the country rankings from the different reports were simply averaged to arrive at a final result for that indicator. In some cases a leading question was apparent, and so those particular indicators were rejected.

The initial list of indicators was reduced in this manner to a total of 124. In all cases, they resulted in a ranked order of scores, with the number of countries for which each indicator was calculated ranging from 106 to 182. To eliminate the variations in the sample sizes, each ranking was converted to a percentile, which is referred to in this report variously as a “rank”, “score”, or “rating”. It is important to remember that these numeric values do not represent any statistical expression, but rather the relative position of the country’s score for a particular indicator among all the world’s countries. Thus in the smaller ranking of regional countries that is described in this report, their positions relative to each other are based on their global rankings for different indicators.

The Overall Rankings

Globally the Philippines ranks just slightly above the 40th percentile, which would place the country between 108th and 114th in a worldwide ranking.⁷ On a regional basis, the Philippines ranks 13th out of 14 nations:

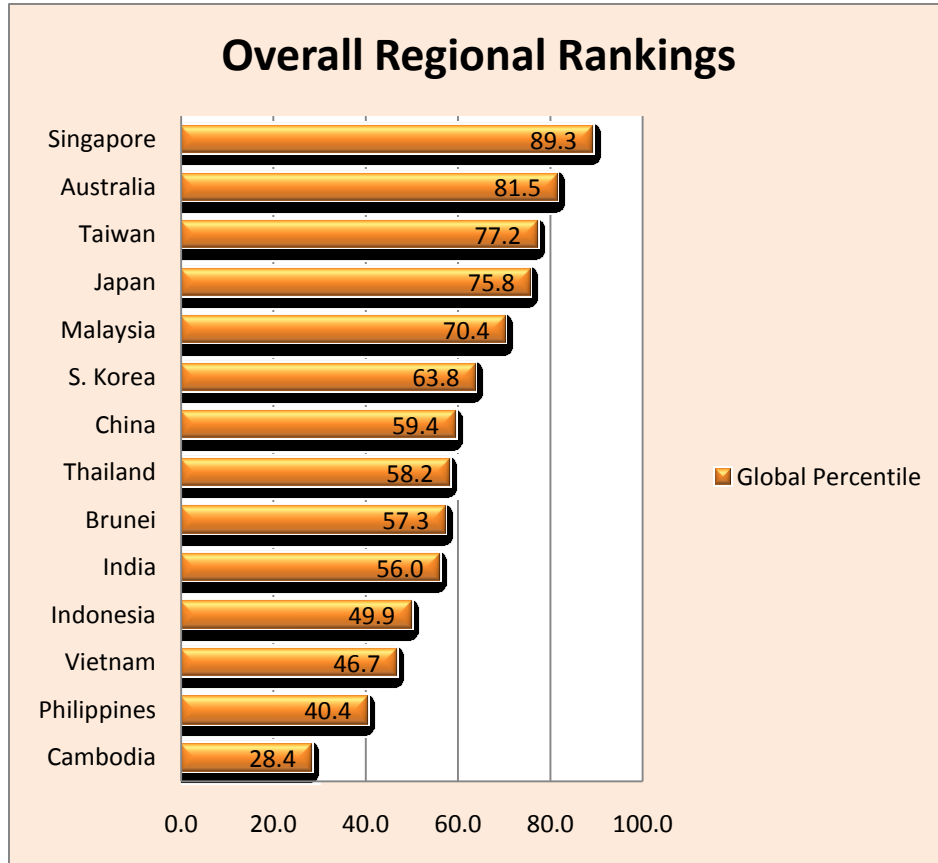


Table 1: Global ranking of the regional nations

As discussed in the Introduction to this study, the overall rankings should be viewed with caution; alone, they tell us very little about any particular country's circumstances apart from its performance relative to its neighbors at a particular point in time. In the context of this report, being the first of its kind, the overall rankings serve as a benchmark. As the study is repeated in the coming years, the degree and rate of change of the rankings will give a much clearer picture of the country's progress or lack thereof. The following sections summarize the inputs that make up the three Pillars of the overall ranking: The Sovereign Framework, Human Capital, and Business & Development.

⁷ The HDR has the largest sample, including 182 nations in most of its rankings. There are, however, 192 member nations in the UN.

The Sovereign Framework

The Sovereign Framework Pillar comprises the Economic, Political, and Infrastructure factors of the Composite Scorecard, the most fundamental requirements for national productivity and progress. The Philippines performs rather poorly in these areas, ranking 13th out of 14 in the region overall:

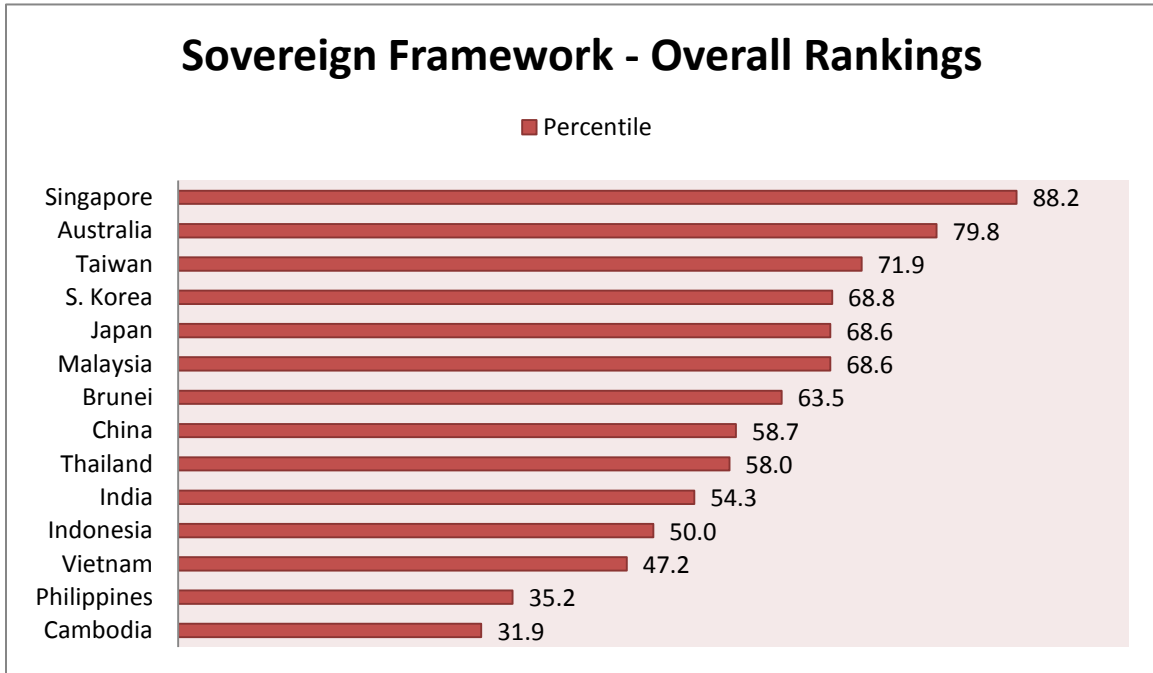


Table 2: Overall scores in the Sovereign Framework Pillar

In the three different factor categories, the Philippines demonstrates troubling weakness in the area of Political Governance & Stability, and performs most strongly in the Economic Factors:

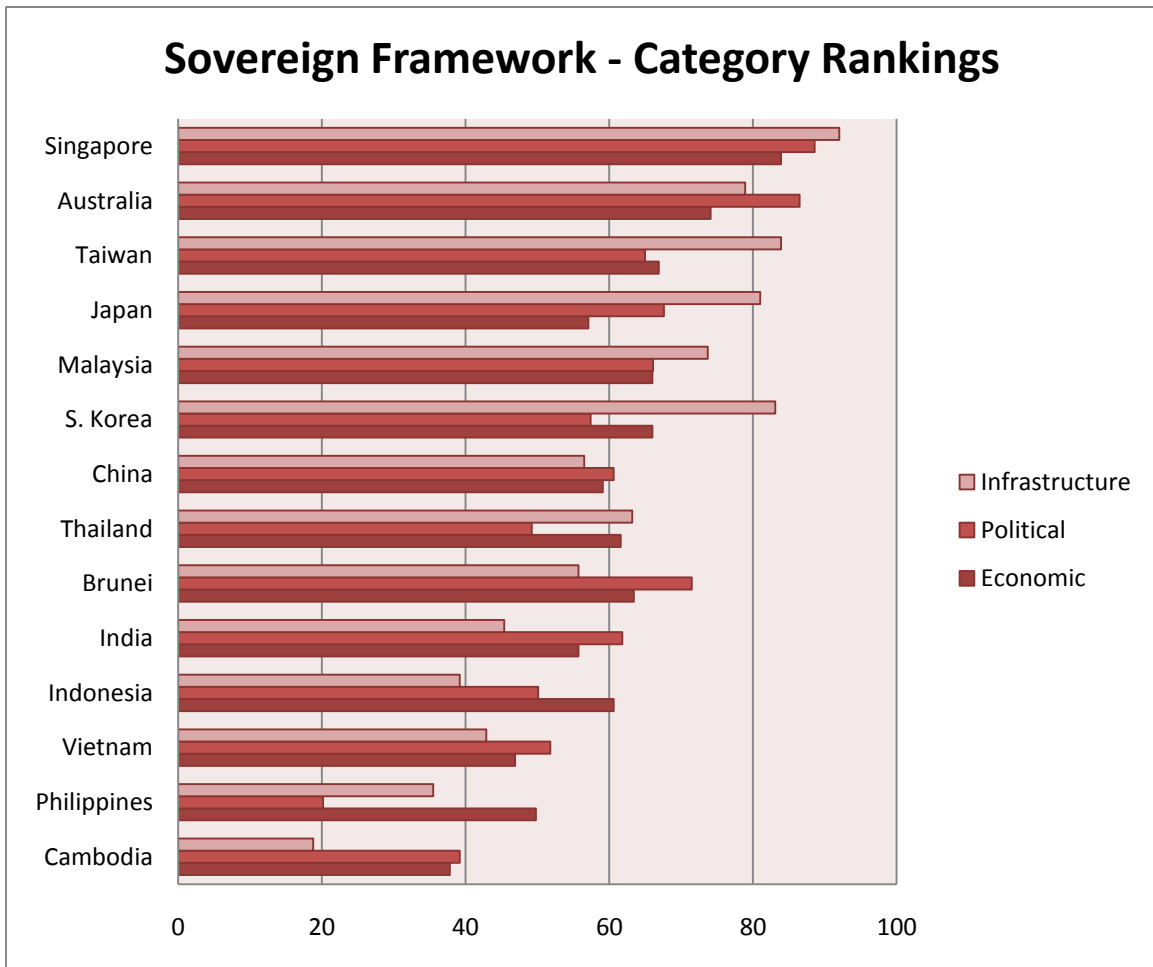


Table 3: Category performance in the Sovereign Framework Pillar

Strengths & Weaknesses: The Philippines ranks among the top five nations in the world in the amount of remittance inflows, an important direct source of foreign currency for developing and transitional economies, and despite having a large population still ranks in the top one-third of countries worldwide in remittances per capita. The Philippines also enjoys strong rankings in the sizes of its domestic and foreign markets. In infrastructure, the one bright spot is in the Availability of Seat Kilometers (ASK), which is a calculation of the number of available public-transportation seats multiplied by the number of kilometers covered by those various vehicles.

The good news for the country is that these positive factors are all drawn from current hard data and represent objective statistics; the bad news is that they must be offered with a number of caveats. Foreign currency remittance totals and distribution do not indicate how the funds are used, but only describe a capital resource. The same is true of market size indexes. All that can be said with certainty is that large domestic and international markets are available to the Philippines; how efficient or productive those markets are is not part of the calculation. ASK is also a very basic statistic, and offers no insight into the efficiency of the Philippines' public transit infrastructure. To determine that, a comparison of the cost per seat kilometer to the revenue per seat kilometer would have to be done, a

study that has not been attempted on a nation- or sector-wide scale. And the ASK figure does not, of course, offer any assessment of the quality or safety of the transport system, something which most observers would agree is highly debatable.

The assessment of the Philippines' Political Governance and Stability factors is discouragingly grim. There are 13 separate measures in this category, and in all but two – Judicial Independence and Press Freedom – the Philippines ranks in the bottom third of the world's nations, managing a paltry overall score of only 20.2. The areas in which the lowest scores were recorded, Public Trust of Politicians and Favoritism in Officials' Decisions – 2.3 and 3.8, respectively – are matters of stakeholders' impressions, but these seem to be well-justified by other poor scores achieved in measures computed from objective data:

- **Efficiency of Legal Framework** (score: 24.0) – This rating is derived from studying the number of court cases being cleared annually by the court system, the level of case backlog throughout the judicial system, and the average time required to conclude a court case. The number of cases that are appealed to higher courts, and in particular the number of lower-court rulings which are reversed or modified are also considered.
- **Diversion of Public Funds and Waste in Government Spending** (scores: 8.3 and 10.5, respectively) – These are computed from comparing the budgeted amount versus final cost of government spending line-items as well as the amount of budget transfers from one proposed expenditure to another. The total difference represents “wasteful spending”; the proportion of this spending that cannot be explained – such as through poor selection of suppliers or contractors, inefficiencies in implementation, or poor accounting – is presumed to be “diverted”.
- **Business Costs of Crime/Violence/Terrorism** (score: 17.3) – This is computed from actual property losses, recovery and reconstruction costs, lost business and lost wage costs due to business closures, medical and insurance expenditures, and litigation costs.

Effectiveness of Law-Making Bodies (score: 18.7) – This is a simple comparison between the number of legislative bills and resolutions introduced in a legislative session and the number which reach a final plenary vote. A low score indicates a backlog of legislative measures awaiting action.

Human Capital

The Human Capital Pillar consists of the Education, Public Health, and Workforce indicators. The Philippines occupies the middle third of the national rankings, 10th out of 14 in the region with an overall score of 45.3:

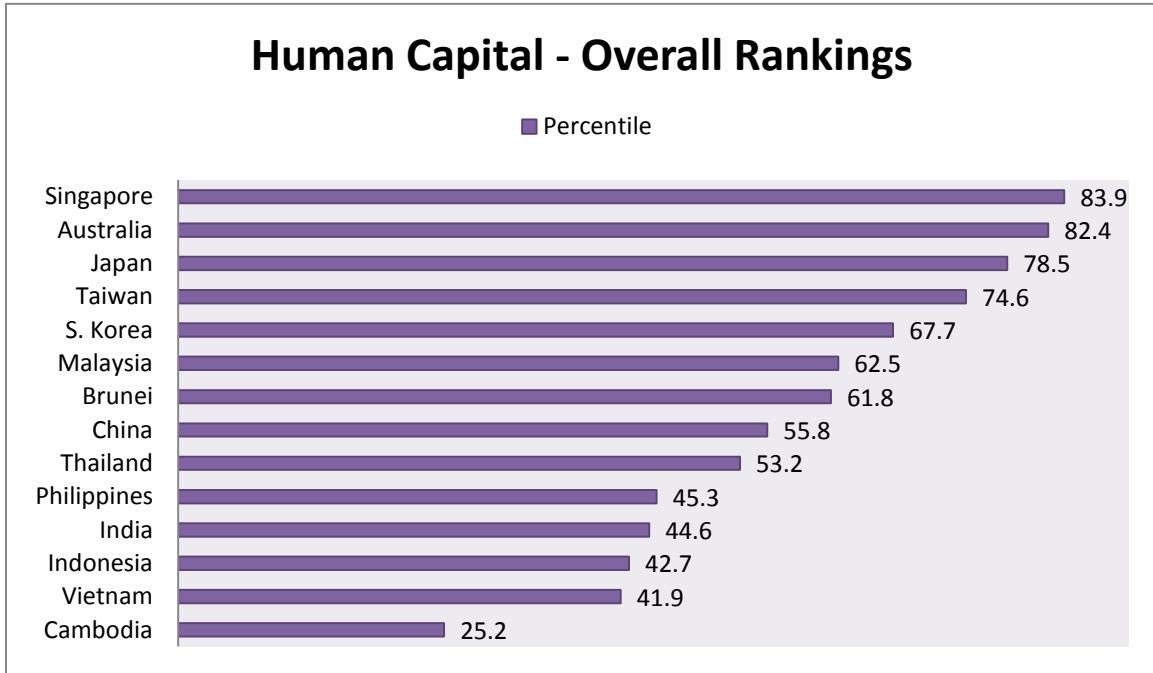


Table 4: Overall Human Capital rankings

Unlike the Sovereign Framework Pillar, the Philippines does not exhibit a large difference in its rankings in the areas of Education, Public Health, and Workforce; on a regional basis the country's best ranking is in Public Health and its lowest is in Workforce indicators, but the difference between the two is a marginal seven percentile points:

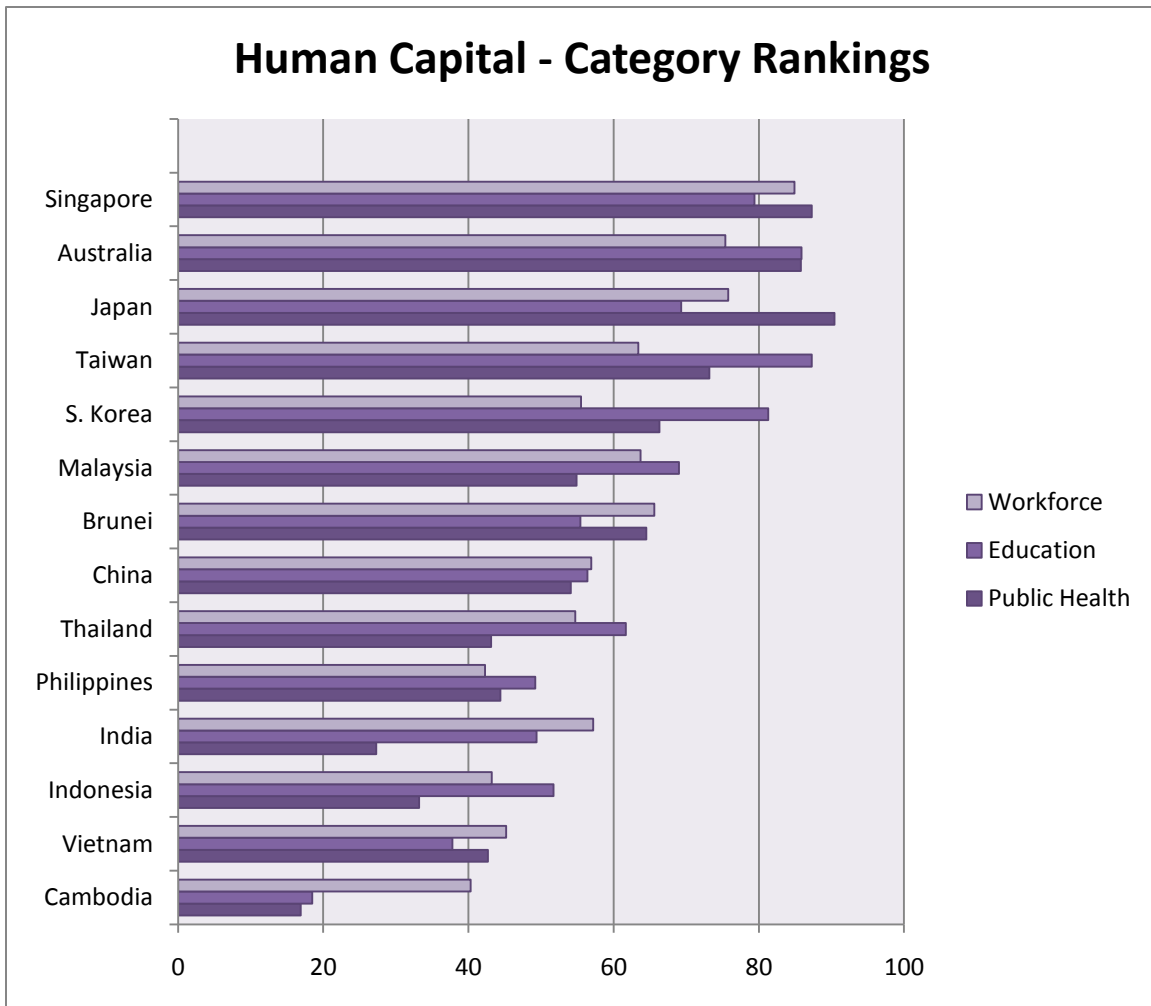


Table 5: Category performance in the Human Capital Pillar

Strengths & Weaknesses: From a global perspective, the Philippines ranks surprisingly high in terms of education at 49.2, a category which is only exceeded by its 49.8 percentile ranking in Economic factors. Considering the level of criticism directed at the educational system in the country this is a somewhat unexpected result, but it is best viewed in relative terms: the ranking is still below the world average, albeit only slightly, and from a regional perspective, the Philippines ranks 12th out of 14, ahead of Vietnam and Cambodia, but slightly behind India. Nevertheless, there are a couple potentially positive signs. In Quality of Management Schools and Adult Literacy Rate the country edges into the low 70s in global percentile rank, and rates 68.7 in terms of Combined Gross Enrollment (primary and secondary grade levels). The enrollment figures are derived from raw data, but the assessment of the Quality of Management Schools is a purely subjective judgment of survey respondents in the two World Economic Forum studies, who were mostly business and civil society stakeholders.

Other areas within the Human Capital pillar where the Philippines performs well are in HIV prevalence under the Public Health category and in the Strength of Workforce Training & Orientation within the

Workforce category. Although there is a degree of serious official concern that HIV cases are increasing in the Philippines⁸, the rate of infection and the number of cases overall and as a percentage of the population are still quite low, earning the country a 99.2 score.

Strength of Workforce Training & Orientation is a subjective measure computed from the responses of business stakeholders in the World Economic Forum Global Competitiveness Report and Global Information Technology Report. The Philippines earns a score of 74.5 in this area, something which may be partly attributable to a relatively strong reliance on Professional Management (degree- or certification-holders in management or executive positions), a factor in which the country scores 63.9.

The most pressing problem for the Philippines in the area of Education is in Education Expenditure, in which the country only reaches a percentile rank of 11.3. There are four factors, which are compiled by the UN Development Programme, that are used to calculate this ranking:

- **Percentage of GDP** – The figure used is from 2005 and stands at 3.1% of GDP giving the Philippines a rank of 104th out of 182 countries studied. The figure is based on primary enrollment only, and could be considered somewhat dated; however, a survey of statistics gathered by UNESCO show that the figure has remained consistently near three percent for the last decade.
- **Percentage of Gross National Income (GNI)** – This figure provides a slightly better measure of education expenditure because it is calculated across all education levels, and as an average over a range of years (in this case, 2002-2005). This figure is also compiled by UNDP, and places the Philippines at 139 out of 182 countries with an expenditure rate of 2.82% of GNI.
- **Percentage of Government Expenditure** – This measure has traditionally been considered the most objective calculation of comparative expenditure figures, because it eliminates variances in line-item spending in educational budgets from different jurisdictions⁹. UNDP also calculates this as an average over a period of years (2000-2007), and pegs the Philippines at 15.2%, placing the country at 105 out of 182 in the comparative rankings.
- **Per-Pupil Expenditure** – As noted by Sklar, 1971 (see above)¹⁰, the per-pupil expenditure can be a misleading figure, particularly on a comparative basis. For example, different countries have different costs for similar items, which can easily distort the overall comparison. However, it can be used as a check value of GDP and GNI factors; multiplying it by the number of primary students should yield a very close approximation of both values, especially the percentage of GDP figure. A variance of more than a couple tenths of a percentage point indicates a flaw in the data that must be resolved.

⁸ "UN agency concerned over rise in HIV/AIDS cases in Philippines". UN Development Programme Philippines, 23 July 2009.

⁹ S.L. Sklar, "In Search of a Rational Basis for Measuring Disparities (A Review of Per-Pupil Expenditure Makeup)." Washington: President's Commission on School Finance, 31 October 1971.

¹⁰ *Ibid.*

In Public Health the Philippines is about on par with Thailand and Vietnam, and ranks significantly higher than Indonesia, India, and Cambodia. There are, however, a number of grave public health concerns in the country. Incidence of malaria and tuberculosis are measured because these particular diseases are universally infectious, and give some insights into the country's ability to control transmissible diseases and the general state of sanitation. In both cases, the Philippines seems to have a serious problem; the country scores only a 32.3 in terms of malaria incidence, and a disturbing 15.0 in tuberculosis cases. The economic impact of these public health problems is reflected in the high Business Costs accountable to the diseases (along with HIV/AIDS which, as mentioned above, is a minimal contributor to public health concerns in the Philippines).

The Philippines also has a number of disadvantages in a number of workforce indicators. Despite ranking in the top 10 worldwide in terms of gender equity (GGGR, 2009), the Philippines does poorly in terms of female participation in the labor force, achieving a score of only 25.6.¹¹ "Brain Drain", a familiar problem for Philippine business interests and policymakers, is reflected in a score of 21.8. And a factor which has a serious short-term economic effect on employers, Firing Costs (measured in terms of average weeks in salary spent to terminate an employee), also places the Philippines uncompetitively in the bottom 20% of the 133 nations for which this factor was calculated.¹²

¹¹ The Global Gender Gap Report 2009 [p. 22] does take note of a decline in female employment in the Philippines, citing it as one of the factors for a drop in the country's ranking in this report from 2008.

¹² The ranking was taken from the Global Competitiveness Report 2009, and was originally developed with data collected by the World Bank and published in the *Doing Business 2009* report.

Business & Development

The Business & Development Pillar is made up of the Business Governance, Business Climate, and Technical Innovation and Development categories. The individual indicators within each of these categories are more subjective than those in the Sovereign Framework and Human Capital Pillars; the majority rely on survey responses from stakeholders rather than hard data. Because of this, or perhaps in spite of it, the Philippines is ranked poorly – 13th out of 14 overall, with a percentile score of 41.0:



Table 6: Overall Business & Development rankings

The Philippines' overall position, as in the Sovereign Framework pillar, seriously compromised by a poor culture of governance; the country ranks last in the study in the category of Business Governance, with a score of 30.6. Business Climate and Technical Innovation & Development scores at 48.3 and 43.9, respectively, are similar, but are only good enough for 12th and 13th rankings in those two categories:



Table 7: Category rankings in Business & Development

Strengths & Weaknesses: In only two individual indicators did the Philippines score in the upper third of the global rankings: Degree of Customer Orientation (73.7), a Business Climate factor included in several studies¹³, and Quality of Competition in the ISP Sector (71.6), which was included in the GITR. Degree of Customer Orientation describes the extent to which businesses are deemed to prioritize customer service, and in some respects should be viewed with a bit of skepticism, since it is largely a self-assessment on the part of business executives and managers. The judgment of Quality of Competition in the ISP Sector is made more from a customer perspective, and is probably more valid; it is a general assessment of price, value, capabilities, and reliability of internet service providers.

The Philippines does poorly in a number of factors across all three categories, with both hard data and subjective indicators suggesting a dysfunctional business environment in the country. Burden of Government Regulation (16.9) and Burden of Customs Procedures (12.0) were assessments made by survey respondents, but the validity of their criticism is supported by statistical data which gives the Philippines poor marks for Number of Procedures Required to Start a Business (9.8) and Time Required

¹³ The survey question was posed in some form in both the GCR and GITR, in the Heritage Foundation's *Index of Economic Freedom*, and in the World Bank's *Doing Business 2009* study.

to Start a Business (15.0).¹⁴ Another area in which government regulation is considered problematic is in Hiring & Firing Practices, with a score of 17.3 indicating a perception that employers are not able to be flexible in their staffing processes due to excessive labor regulation. Businesses themselves are not immune to criticism, either; the country achieves very low ratings in the subjective assessment of Ethical Behavior of Firms (12.8), and Extent of Market Dominance, a combined survey assessment and hard data measure of the monopolistic character of the economy which gives the Philippines a percentile rank of only 18.8.¹⁵

In terms of technological development, the Philippines would appear to be lagging behind most of the rest of the world as a matter of policy. Business-driven factors such as Firm-level Technology Absorption, Company Spending on R & D, and Foreign Technology Licensing generate scores of between 59.0 and 61.4 – not world-leading, certainly, but reasonably positive indicators. On the other hand, government performs poorly in innovation measures, particularly in the acquisition and use of Information & Communications Technology. This is perhaps not surprising given the fairly recent public controversies over the National Broadband Network contract and the plan for automated elections, but when compared to Vietnam, for example (the Philippines’ closest rival in the overall ranking), it is a damning indictment of the country’s preparedness for doing business in an increasingly interconnected world:

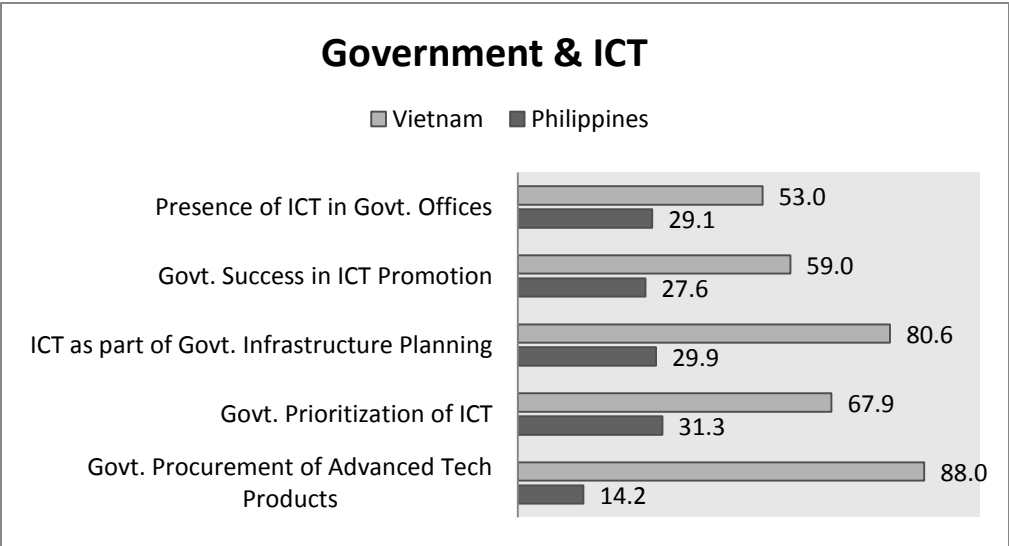


Table 8: The Philippines vs. Vietnam in government initiatives related to ICT

¹⁴ On average, there are 15 mandated/regulatory procedures required to start a business in the Philippines, which take an average of 52 days to complete. (World Bank, *Doing Business 2009*)

¹⁵ The survey responses to this question in the GCR were compared with market share data from the telecommunications, media & broadcasting, public utility, banking, mass-market retail, and food & beverage production sectors to arrive at an overall descriptor. (IBP USA *Philippines Business Intelligence Report*, 2009; World Bank *Doing Business 2009*)

Commentary & Recommendations

Senator Villar’s opinion that much can be learned about the progress of the nation from the observers of outsiders, although offered in a faulty context is nonetheless correct.¹⁶ Social, political, and economic metrics are limited in meaning and application without the benefit of comparisons to the outside world; there is no such thing as a prosperous autarky. Self-assessment is not without value, but only if it is done honestly; resetting universal standards of achievement to suit one’s own world-view – or more properly, one’s self-image – when done on a national scale simply institutionalizes faulty and ultimately self-destructive social and economic frameworks.¹⁷ The results of this attitude in the Philippines are painfully obvious in the outcome of this study.

As previously noted, this is the first Composite Scorecard and thus has a limitation in that it can only serve as a benchmark; in terms of the indicators measured here, true progress will only be apparent after the study is repeated for a number of years. Even so, the current assessment will be useful in a number of ways, and it is of course no coincidence that it is being presented now, at the beginning of an important national election campaign:

- ☑ **A Guide for Candidates:** With few exceptions, the candidates and the political parties that support them have not developed specific, substantive, issue-based platforms. The issues are clearly defined by this study, those in which the Philippines is lagging behind the rest of the region and the world as well as those which are showing some positive signs. Regardless if the candidates attempt to address the issues or are simply content to offer meaningless rhetoric and buzzwords, the scores in this study define the job the winning candidate will have to do.
- ☑ **A Guide for Voters:** Likewise, the indicators in this study can serve as a standard against which the voters can judge the candidates and demand clear plans. Voters can determine for themselves whether candidates who describe themselves as having “political will” or being a “fiscalizer” are actually offering solutions to problems such as the high incidence of tuberculosis in the country, or the poor representation of women in the workforce.
- ☑ **A Guide for Investors and Business Interests:** Those considering doing business in the Philippines or expanding an existing business can use the results of the study to accurately assess the overall climate in which they would be operating, and compare it to other areas of opportunity within the region. Similarly, government can use the results to promote investment in areas that would be mutually beneficial to both the country and businesses, such as making improvements in the transportation infrastructure, or developing the moribund ICT sector.

In conclusion, the report also suggests numerous areas for further research. For every one of the individual indicators within the three Pillars, there is an opportunity to analyze the factors underlying the result. This is as important, if not more so, for the positive factors as the negative ones; by

¹⁶ Manny Villar, “The road to global competitiveness”. *Business Mirror* [online edition], 4 October 2009.

¹⁷ B. Kritz, “Busy-ness Does Not Equal Business: The Fatal Flaw in the Philippines’ Small Business Initiatives”. *GetReal Philippines*, 17 May 2008.

understanding why some are successful in the Philippine context, more appropriate and effective solutions can be applied to the ones that need improvement. And finally, it is critical that this study be repeated on an annual basis, in order to measure progress or regression in policy areas.

Appendix A: Regional Rankings, Overall & within the Three Pillars

OVERALL RATINGS	
Singapore	89.3
Australia	81.5
Taiwan	77.2
Japan	75.8
Malaysia	70.4
S. Korea	63.8
China	59.4
Thailand	58.2
Brunei	57.3
India	56.0
Indonesia	49.9
Vietnam	46.7
Philippines	40.4
Cambodia	28.4

Sovereign Framework	
Singapore	88.2
Australia	79.8
Taiwan	71.9
S. Korea	68.8
Japan	68.6
Malaysia	68.6
Brunei	63.5
China	58.7
Thailand	58.0
India	54.3
Indonesia	50.0
Vietnam	47.2
Philippines	35.2
Cambodia	31.9

Human Capital	
Singapore	83.9
Australia	82.4
Japan	78.5
Taiwan	74.6
S. Korea	67.7
Malaysia	62.5
Brunei	61.8
China	55.8
Thailand	53.2
Philippines	45.3
India	44.6
Indonesia	42.7
Vietnam	41.9
Cambodia	25.2

Business & Dev't.	
Singapore	92.6
Taiwan	85.2
Australia	82.2
Japan	80.5
Malaysia	80.1
S. Korea	73.1
India	69.1
China	63.8
Thailand	63.5
Vietnam	51.0
Brunei	46.3
Indonesia	42.7
Philippines	41.0
Cambodia	28.1

Appendix B: Detailed Indicators for the Philippines

Note: Indicators in **bold** are derived from hard data.

1. The Sovereign Framework Pillar:

ECONOMIC INDICATORS		49.8
MEASURE		SCORE
Individual Savings Rate		30.1
Rate of Inflation		40.6
Interest Rate Spread		64.7
Government Debt		24.1
Tax Efficiency		50.2
Financial Market Sophistication		52.1
Government Surplus/Deficit		54.9
Total Tax Rate		30.1
Effect of Trade Barriers		26.3
Effect of Tariff Barriers		62.4
Degree of Foreign Ownership		23.3
Wage Productivity		44.4
Restrictions on Capital Flows		48.9
Soundness of Banks		56.4
Domestic Market Size		76.7
Foreign Market Size		69.2
Venture Capital Availability		38.6
Remittance Inflows		97.8
Remittances per capita		73.1
GDP per capita		31.9

POLITICAL GOVERNANCE & STABILITY		20.2
MEASURE		SCORE
Judicial Independence		33.7
Efficiency of Legal Framework		24.0
Press Freedom		48.4
Diversion of Public Funds		8.3
Public Trust of Politicians		2.3
Favoritism in Decisions of Govt. Officials		3.8
Waste in Govt. Spending		10.5
Transparency of Govt. Policy-making		21.8

Business Cost of Crime/Violence/Terrorism	17.3
Organized Crime	23.3
Reliability of Police Services	24.1
Legal Rights Index¹⁸	26.3
Effectiveness of Law-making Bodies	18.7

INFRASTRUCTURE	35.5
MEASURE	SCORE
Quality of Roads ¹⁹	21.8
Quality of Railroad Infrastructure	30.8
Quality of Port Infrastructure	15.8
Quality of Air Transport Infrastructure	24.8
Available Seat Kilometers	78.9
Quality of Electricity Supply	34.6
Existing Telephone Lines	23.3
Availability of New Telephone Lines	44.8
Mobile Telephone Subscribers	37.6
Internet Users	20.3
Personal Computers	46.6
Broadband Internet Subscribers	33.1
Business Internet Use	44.0
Availability of Online Govt. Services	40.3

2. The Human Capital Pillar:

EDUCATION INDICATORS	49.2
MEASURE	SCORE
Overall Quality of the Educational System	56.5
Quality of Math & Science Education	27.4
Quality of Scientific Research Institutions	29.6
Quality of Management Schools	73.8
Combined Gross Enrollment	68.7
Adult Literacy Rate	70.3

¹⁸ This is a composite metric of laws & regulations addressing human rights, legal rights of suspects, the international conventions to which the Philippines is a signatory, and the country's ranking in the TIPR.

¹⁹ This is a combined metric which includes the overall rating (on a 1 to 7) scale from the GCR, the kilometer-total of limited-access highways, and the kilometer-total of new roads built in the previous year (2008).

Adult Illiteracy Rate	60.0
Education Expenditure	11.3
Tertiary Enrollment	44.4
Internet Access in Schools	50.4

PUBLIC HEALTH INDICATORS		44.4
MEASURE		SCORE
Life Expectancy		44.9
Infant Mortality		38.3
HIV Prevalence		99.2
Malaria Incidence		32.3
TB Incidence		15.0
Business Cost of HIV/AIDS/Malaria/TB²⁰		30.1
Probability of not Surviving to Age 40		62.2
People not Using an Improved Water Source		57.8
Children Under Age 5 Underweight for Age		20.0

WORKFORCE INDICATORS		42.3
MEASURE		SCORE
Strength of Workforce Training/Orientation		74.5
Emigration Rate		38.5
Immigrant Population		58.2
Reliance on Professional Management		63.9
Brain Drain²¹		21.8
Local Availability of Research & Training Services		46.0
Flexibility of Wage Determination		27.8
Employment Mobility		48.9
Female Participation in Labor Force		25.6
Firing Costs		18.0

²⁰ This measure is drawn from a calculation of lost wages, hospitalization and treatment costs associated with these diseases, and insurance payouts for medical care or death due to these diseases.

²¹ Counted as the number of new college graduate or post-graduate degree recipients leaving the country annually for the reported purpose of seeking employment.

3. The Business & Development Pillar:

BUSINESS GOVERNANCE & REGULATION		30.6
MEASURE		SCORE
Burden of Government Regulation		16.9
Intellectual Property Protection		30.0
Strength of Investor Protection		24.8
Regulation of Securities Exchanges		42.1
Business Impact of Rules on FDI		27.1
Property Rights		29.2
Ethical Behavior of Firms		12.8
Strength of Auditing & Reporting Standards²²		54.1
Effectiveness of Corporate Boards		53.4
Protection of Minority Shareholders' Interests		42.1
Effectiveness of Anti-monopoly Policies		34.6
No. of Procedures Req. to Start a Business		9.8
Time Req. to Start a Business		15.0
Burden of Customs Procedures		12.0
Agricultural Policy Costs²³		27.1
Cooperation in Labor-Employer Relations		51.1
Hiring & Firing Practices		17.3
Effect of Laws Relating to ICT		50.9

BUSINESS CLIMATE		48.3
MEASURE		SCORE
Intensity of Local Competition		42.0
State of Cluster Development		56.9
Buyer Sophistication		53.9
Local Supplier Quantity		43.1
Local Supplier Quality		47.2
Extent of Market Dominance		18.8
Degree of Customer Orientation		73.7
Financing through Local Equity Market		59.4
Ease of Access to Loans²⁴		33.8

²² Calculated as the ratio of accounting & reporting complaints brought before or filed by regulatory agencies (such as the SEC) to number of registered corporations in the Philippines.

²³ Ratio of total annual agricultural products imported to total annual agricultural output.

²⁴ Measured as the amount of commercial loans reported by Philippine banks as a percentage of GDP.

Breadth of Value Chain	54.1
Control of International Distribution	51.2
Production Process Sophistication	37.6
Extent of Marketing	56.4

TECHNICAL INNOVATION & DEVELOPMENT INDICATORS		43.9
MEASURE		SCORE
Availability of Latest Technologies		59.2
Availability of Scientists & Engineers		30.0
Company Spending on R & D		59.5
University-Industry R & D Collaboration		43.1
Govt. Procurement of Advanced Tech Products		14.2
Firm-level Technology Absorption		61.4
Capacity for Innovation ²⁵		50.2
Accessibility of Digital Content		52.2
Quality of Competition in ISP Sector		71.6
Government Prioritization of ICT		31.3
Importance of ICT to Govt. Vision of the Future		29.9
Prevalence of Foreign Technology Licensing		59.0
Government Success in ICT Promotion		27.6
Efficient Use of IT by Government		41.0
Presence of ICT in Government Offices		29.1
FDI & Technology Transfer		45.9
Utility Patents²⁶		41.4

²⁵ This is a subjective measure wherein survey respondents (GCR and GTR) were asked to assess the proportion of in-company R & D to purchased technology for product or operational upgrades.

²⁶ Number of utility patents (i.e., patents for invention) granted between January 1 and December 31, 2008, per million population. (US Patent Office, 2009, as cited in GCR)

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About the Author: Ben Kritz is an independent business process and economic consultant in the Philippines. He can be contacted at benkritz@gmail.com.

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